

17th Annual Government Financial Management Conference

Managing the Nation's Money

Speaker

Boris Lyubovitsky, Cash Forecasting Division

Governmentwide Accounting

Financial Management Service

Department of the Treasury

Overview of Managing the Nation's Money

- The Importance to Treasury, the Federal Reserve, and to the nation's economy
- Critical Roles, Responsibilities, and Teamwork
- Overview of the Daily Cash Management Process

Importance to Treasury

- Forecasting of receipt and expenditure activity
- Assure adequate funds are available to make payments
- Minimize interest on borrowings; maximize earnings on excess cash
- Critical daily operations and public assurance

Treasury Roles and Responsibilities

Office of Fiscal Projections, Office of the Fiscal Assistant Secretary

- Projects daily collections and disbursements up to nine months in advance
- Makes daily cash management decisions
- Recommends the amount and timing of borrowing from the public based on securities and funds needed to make payments

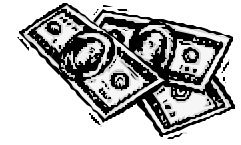
Cash Forecasting Division, Financial Management Service



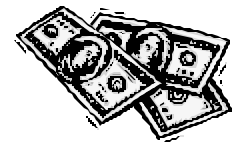
- Provides program support to the Office of the Fiscal Assistant Secretary (OFAS) in monitoring, forecasting and managing Treasury's cash and debt position.
- Coordinates the Daily Cash Position Management Conference Call
- Publishes the Daily Treasury Statement (DTS)
- Maintains and enhances the CashTrack System.

Federal Reserve Roles and Responsibilities

- Federal Reserve System
- Federal Reserve Bank of New York
- Board of Governors
- Federal Reserve Bank of St. Louis



Where's the Money ?

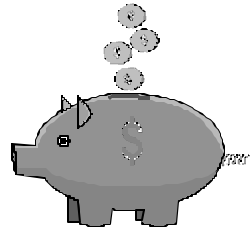


Treasury General Account

- Deposits of the U.S. Government held at the Federal Reserve Bank of New York
- Serves as the U.S. Government's "checking" account.
- All Federal Government deposits and payments flow through the TGA.
- Treasury targets a daily balance of \$5 billion.



Treasury Tax and Loan Accounts (TT&L)



- Deposits held at Treasury designated Financial Institutions across the U.S.
- Serves as the U.S. Government's interest bearing “savings” account.
- Holds tax receipts and excess cash until needed.
- Allows Treasury to conduct scheduled borrowing operations.

Treasury Cash Management Tools

- Treasury Investment Program's Traditional Methods
- Dynamic Investments
- Term Investment Option
- Repurchase Agreements

Treasury Investment Program

- Direct Investments – the transfer of excess Treasury funds to financial institutions participating in the TT&L Program. These funds are placed with either a one-day or same-day notice in the institution's main account.
- Special Direct Investments – the placement of excess operating funds into a participating financial institution's SDI account. The investment must be fully secured using specified acceptable collateral determined by the Department of the Treasury.
- Withdrawals – upon request from the Department of the Treasury, TT&L depositories make transfers from their TT&L accounts to the Treasury General Account.

Dynamic Investments

- Began in July 2001
- Allows for the automatic investment of unexpected deposits
- Helps maximize earnings on Treasury's excess cash
- Aims to maintain the Treasury General Account balance at target levels

Term Investment Option

- Pilot program began in April 2002
- Permanent program in October 2003
- Term Investments allow Treasury to place a portion of its excess operating funds directly with TT&L depositories for a set period of time at a rate of interest determined through a competitive bidding process
- During Fiscal Year 2007 through June, over \$404 billion was invested as a result of Term Investment auctions.

Repurchase Agreement Program (Repo)

- Pilot program began in March 2006
- Add additional investment capacity to the TTL program by providing an additional investment option that would provide added value to participants.
- Increase the rate of return the Treasury receives on funds invested.
- During Fiscal Year 2007 through June, over \$452 billion was invested as a result of Repo Investment transactions.

Treasury's Cash Management Goals

- Maximize earnings on excess operating funds.
- Increasing the overall percentage of TT&L funds invested in Term and Repo Investments.
- Expand investment programs with the aim of increasing interest earnings.

Cash Flow and Balances

Federal Reserve Balances

- Federal Reserve Monetary Policy
- Reserve requirements set by the Federal Reserve help implement monetary policy
- Operationally allows processing and clearing of financial transactions by the Federal Reserve System
- Federal Reserve determines the level of interest rates
- Sets target FED funds rate and initiates open market operations to increase or decrease FED balances as needed
- Federal Reserve Balances are a key part of the Nation's Money

Treasury Balances

- Treasury expenditures add to FED balances as funds flow from Government to the private sector
- Treasury receipts reduce FED balances as private sector funds flow to the Government
- Maintaining the Treasury General Account balance at a constant level prevents Government transactions from affecting the level of FED balances and interest rates
- The Treasury and the Federal Reserve jointly manage the TGA to minimize impacts on FED balances and on Federal Reserve open market operations

The Daily Cash Management Process

Roles and Responsibilities

- Treasury estimates daily receipts and payments of the U.S. Government; schedules U.S. Government borrowing operations up to 9 months in advance
- Federal Program Agencies provide Treasury with long-term receipt and payment plans
- Federal Program Agencies provide short-term receipt and payment information by Large Dollar Notifications

Large Dollar Notifications

What/When to report:

- Disbursements and collections
- If \$500 million or greater – 5 business days prior.
- If \$50 million or greater – 2 business days prior.
- By 8:30 a.m. day of settlement

Needed from:

- Agency certifying/financial officers
- Treasury Regional Financial Centers
- Non-Treasury disbursing officers
- Agencies with delegation of disbursing authority

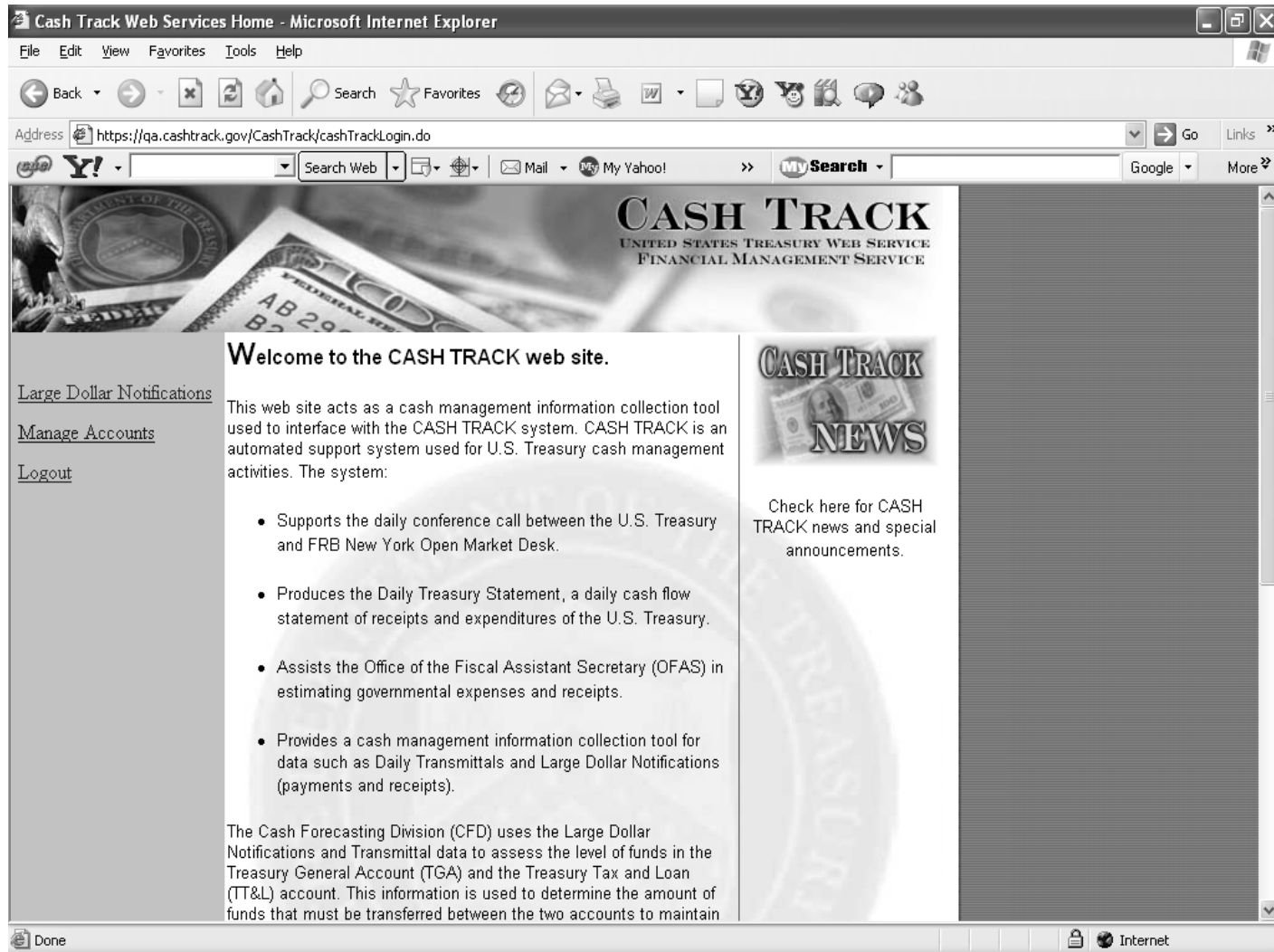
For more information:

Volume I, Treasury Financial Manual, Part 6 Chapter 8500

Large Dollar Notification Reporting

- Notify the Cash Forecasting Division
- E-mail Funds.Control@fms.treas.gov
- Fax (202) 874-9984 or (202) 874-9945
- Telephone (202) 874-9789 or (202) 874-9790
- CASH TRACK Web www.cashtrack.gov
(Internet Explorer is suggested)

CASH TRACK WEB



Daily Cash Position Management Conference Call



- Held every banking day at 9:00 a.m.

Participants:

- ❖ Treasury - Office of Fiscal Projections
 - ❖ Treasury – Cash Forecasting Division
 - ❖ FRB NY – Monetary Projections/Open Market Operations Group
 - ❖ Board of Governors
- Decision to invest or withdraw funds from savings to achieve the \$5 billion target balance for the day
 - Takes preliminary action to invest or withdraw funds from savings to achieve a \$5 billion target balance for the next business day

Critical Events for the Conference Call

- FRB NY – reports the TGA closing balance by 9:00 p.m.
- FRB's report yesterday's actual transactions by 6:30 a.m.
- Lockbox Banks report collections to be deposited today by 8:15 a.m.
- Treasury RFC's report ACH payments files sent to FRB by 6:30 a.m.
- Large Dollar Notification for future payments/collections are posted by 8:30 a.m.
- Yesterday's results are analyzed and daily forecasts are updated as needed by 8:45 a.m.
- Cash Forecasting Division makes daily investment or withdrawal proposals by 8:50 a.m.
- Conference Call takes place at 9:00 a.m.

Additional Cash Management Activities

- Daily Cash Position Management Conference Call is revised at 10:00 a.m. when required
- Term Investment Announcements and Auctions are held generally between 9:00 a.m. and 11:00 a.m.
- Treasury Notices and Results of TT&L actions are posted on the web daily at 12:00 p.m.
- www.fms.treas.gov/ttlactions

Daily Treasury Statement

- Summarizes the cash and debt operations of the U.S. Treasury for the Federal Government
- Information is reported on a modified cash basis with deposits reported as received and withdrawals reported as processed
- Includes final daily totals as well as cumulative month to date and fiscal year to date totals
- Released to the public every business day at 4:00 p.m.
- www.fms.treas.gov/dts

Daily Treasury Statement Information

- Operating Cash Balance opening and closing balance for the day
- Details of deposit and withdrawal activity of agency programs and major functions; certain transactions reported only when for \$50 million or more
- Bureau of the Public Debt transactions
- Federal Tax Deposits
- Federal Income Tax Refunds Issued